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SUBJECT: BURMA: 2005 INCSR PART I - DRUGS AND CHEMICAL
CONTROL

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B. RANGOON 1412 (INCSR PART II)

International Narcotics Control Strategy Report 2005
(Rangoon draft)

Burma

I. Summary

Burma is the world's second largest producer of illicit opium, accounting for more than 90 percent of Southeast Asian heroin, and a primary source of amphetamine-type stimulants (ATS) produced in Asia. Annual production of opium, however, has declined over the past ten years and is now at less than 20 percent of mid-1990 peak levels. In 2005, Burma produced an estimated 380 metric tons of opium, less than eight percent of the opium produced in Afghanistan. Burma's opium poppy is grown predominantly in the "Golden Triangle" border region of Shan State, in areas near the borders of China, Laos, and Thailand controlled by former insurgent groups (less than one percent of Burma's poppy crop is grown outside of Shan State).

Ethnic Wa cultivators along the Chinese border account for 40 percent of Burma's total poppy crop, down from 55 percent in 2004. The decline reflected a resurgence in poppy cultivation in southern and eastern Shan State. Nonetheless, major Wa traffickers continue to operate with impunity and the government has been unable to curb other Wa drug activities. The United Wa State Army (UWSA) announced in June a total ban on poppy cultivation and opium production and trafficking, but Wa compliance and involvement in methamphetamine production and trafficking remain serious concerns. In January, the U.S. Attorney's Office for the Eastern District of New York unsealed federal indictments against seven UWSA leaders for conspiracy to possess, manufacture, or distribute heroin and methamphetamines.

During the 2005 drug certification process, the USG determined that Burma was one of only two countries in the world (the other was Venezuela) that had "failed demonstrably" to meet international counternarcotics obligations.

In addition to regular cooperation with the Drug Enforcement Administration (DEA) and Australian Federal Police (AFP) on narcotics investigations, the Government of Burma (GOB) has increased law enforcement cooperation with Thai and Chinese authorities, particularly through renditions, deportations, and extraditions of wanted drug traffickers. Burma is a party to the 1961 UN Single Convention on Narcotics Drugs (and became a member of the 1972 Protocol to the Single Convention in 2003), the 1971 UN Convention on Psychotropic Substances, and the 1988 UN Convention Against Narcotic Drugs and Psychotropic Substances.

II. Status of Country

Burma is the world's second largest producer of illicit opium, but produces only a small fraction of the opium that is now produced in Afghanistan. Eradication efforts and enforcement of poppy-free zones combined to depress cultivation levels from 2000 to 2004, especially in Wa territory. A resurgence in 2005, however, of cultivation in eastern and southern Shan State, where improved weather conditions and new cultivation practices increased opium production, led to a slight overall increase in cultivation and production in Burma. According to the UNODC, a persistent and strong demand in Asia for opiates and a falling supply in the Golden Triangle region led to a 22 percent increase in Burmese village-level opium prices, from \$153 per kilo in 2004 to \$187 in 2005. Opium price increases, however, did little to alleviate the poverty of poppy farmers, who are among the most impoverished populations in Burma.

According to an annual U.S. opium yield estimate, in 2005 the

total land area under poppy cultivation was 40,000 hectares, an 11 percent increase over the previous year. Estimated opium production in Burma totaled approximately 380 metric tons in 2005, a 14 percent increase over 2004. A UNODC opium yield survey, using a different methodology, concluded that cultivation had actually declined 26 percent and production had declined 19 percent. Nonetheless, both surveys estimated a yield average of 9.2 kilograms/hectare, well below the peak level of 15.6 kg/ha recorded in 1996. Both surveys also concluded that Burma had experienced a significant downward trend over the past decade, with poppy cultivation and opium production declining by roughly 80 percent.

Declining poppy cultivation has been matched by a sharp increase in the production and export of synthetic drugs. Burma plays a leading role in the regional traffic of ATS. Drug gangs, many of them ethnic Chinese, based in the Burma/China and Burma/Thailand border areas annually produce several hundred million methamphetamine tablets for markets in Thailand, China, and India using precursors imported from those countries.

According to GOB figures, during the first eleven months of 2005, ATS seizures totaled about 1.65 million tablets, a significant decrease from previous years. Authorities, however, seized over 280 kilograms of crystal methamphetamine ("ICE"). Aside from these important seizures, the government did not destroy any ATS labs in 2005 or take any other significant steps to stop ATS production and trafficking. The GOB has, however, stepped up its dialogue with law enforcement agencies and neighboring countries on the overall ATS problem.

Opium, heroin, and ATS are produced predominantly in the border regions of Shan State, areas controlled by former insurgent groups. Between 1989 and 1997, the Burmese government negotiated a series of individual cease-fire agreements, allowing each of several ethnically distinct peoples limited autonomy and continued narcotics production and trafficking activities in return for peace.

Since the mid-1990s, however, the Burmese government has elicited "opium-free" pledges from each cease-fire group and, as these pledges have come due, has stepped up law-enforcement activities against opium/heroin in the respective cease-fire territories. In June, the UWSA announced implementation of a long delayed ban on opium production and trafficking in Wa territory. The Wa, however, remain the country's leading poppy growers and opium producers. According to many reports, the Wa leadership facilitates the manufacture and trafficking of ATS pills in Wa territory, predominantly by ethnic Chinese criminal gangs. Although the government has not succeeded in convincing the UWSA to stop illicit drug production or trafficking, Burmese law enforcement entities stepped up pressure against Wa traffickers in 2005.

Burma has a small, but growing domestic drug abuse problem. UNODC estimated there are roughly 20,000 opium addicts in Shan State, the country's largest poppy growing region. Surveys conducted by UNODC, among others, suggest that the overall drug addict population could be as high as 300,000, plus an additional 15,000 regular ATS users.

III. Country Actions Against Drugs in 2005

Policy Initiatives: Burma's official 15-year counternarcotics plan, launched in 1999, calls for the eradication of all narcotics production and trafficking by 2014, one year ahead of an ASEAN-wide plan of action that calls for the region to be drug-free by 2015. The plan is to proceed in stages, with eradication efforts coupled to alternative development programs in individual townships, predominantly in Shan State. The government initiated its second five-year phase in 2004. U Sai Lin's Special Region No. 4 around Mong La has been declared opium-free since 1997; the Kokang Special Region No. 1 banned poppy cultivation in 2003 after missing a 2000 deadline; and the Wa Special Region No. 2, after several postponements, implemented a ban in June 2005. Despite substantial gains in reducing the cultivation of poppy, however, none of the regions are truly opium-free.

According to the 2005 U.S. opium yield estimate, poppy cultivation within Wa territories represents 40 percent of the total Burma crop, a decline from 55 percent in 2004 that reflects a resurgence in cultivation in eastern and southern Shan State.

The most significant multilateral effort in support of Burma's counternarcotics efforts is the modest presence of UNODC in northern Shan State. The UNODC's "Wa Project" was initially a five-year, \$12.1 million supply-reduction program to encourage alternative development in territory controlled by the UWSA. In order to meet basic human needs and ensure the sustainability of a 2005 UWSA opium ban, the UNODC

extended the project until 2007, increased the total budget to \$16.8 million, and broadened the scope from 16 villages to the entire Wa Special Region No. 2. Major donors that have supported the Wa Project include the United States, Japan and Germany, while the UK and Australia have recently made additional contributions.

In 2003, the UNODC established a project in Wa and Kokang areas ("KOWI") aimed at supporting the humanitarian needs of farmers who have abandoned poppy cultivation and lost their primary source of income. The project's principal objective is to prevent any return to poppy cultivation and thus to sustain drug control efforts in the long term. Altogether 18 partner organizations--including the WFP, the FAO, and INGOs--are coordinating activities under the KOWI umbrella to address basic human needs through the provision of food, health services, and education. The goal of these interventions, many of which commenced in 2004 and are scheduled to continue until the UNDP assumes oversight in 2008, is to ensure the recovery and development of communities through community-based initiatives.

Japan and Italy were early donors to the UNODC's KOWI project. Australia, Germany, the European Commission (and ECHO), New Zealand, Sweden, Switzerland, and the United Kingdom provided support to the project's NGO partners. UNODC plans to phase out its participation by 2007.

Japan has undertaken a substantial effort to help the GOB establish buckwheat as a cash crop for former poppy farmers in the Kokang and Mong Ko regions of northeastern Shan State.

The Government of Burma, under a 1993 Narcotics Drugs and Psychotropic Substances Law, has in the intervening years issued notifications controlling 124 narcotic drugs, 113 psychotropic substances, and 25 precursor chemicals. Burma enacted a "Mutual Assistance in Criminal Matters Law" in 2004 and, in support of a 2002 Control of Money Laundering Law, enacted in 2003 specific "Rules for Control of Money Laundering Law."

Law Enforcement Measures. The Central Committee for Drug Abuse Control (CCDAC)--which is comprised of personnel from the police, customs, military intelligence, and army--leads drug-enforcement efforts in Burma. The CCDAC, effectively under the control of the Ministry of Home Affairs, now coordinates 25 drug-enforcement task forces around the country, with most located in major cities and along key transit routes near Burma's borders with China, India, and Thailand. As is the case with most Burmese government entities, the CCDAC suffers badly from a lack of adequate resources to support its law-enforcement mission.

In 2005, CCDAC established two new anti-narcotic task forces in Rangoon and Mandalay, complementing existing task forces in those two cities. The GOB also established an additional Financial Investigation Team (FIT), located in Mandalay, to serve as a clearinghouse for northern Burma. This new team, established with DEA and Australian Federal Police (AFP) assistance, complements an existing FIT in Rangoon.

In January, the U.S. Attorney's Office for the Eastern District of New York unsealed federal indictments against seven UWSA leaders for conspiracy to possess, manufacture, or distribute heroin and methamphetamines. Among those indicted was Wei Hseuh-kang, whom the United States had previously indicted in 1993 and designated a Kingpin trafficker in 2000. The GOB has to date taken no direct action against any of the seven indicted UWSA leaders, although authorities have taken law enforcement action against other, lower ranking, members of the UWSA syndicate.

Narcotics Seizures. Summary statistics provided by Burmese drug officials indicate that during the first eleven months of 2005, Burmese police, army, and the Customs Service together seized approximately 1,000 kilograms of raw opium, 776 kilograms of heroin, 119 kilograms of marijuana, and just over 1.6 million methamphetamine tablets. Heroin seizures have more than doubled over the past three years. Opium, heroin and morphine seizures, however, account for just a fraction of Burma's yearly potential opium production.

For the second year in a row, Burmese authorities made a massive heroin bust that disrupted international trafficking syndicates. In September, officials seized a major shipment of 496 kilos of heroin in eastern Shan State and arrested 49 UWSA soldiers, including a brigade commander. The law enforcement operation, the first of its kind against UWSA assets, was the result of close cooperation with Chinese counterdrug officials. Related investigations that led to additional seizures and arrests came about as a result of GOB cooperation with Laos and Thailand, as well as with the U.S. Drug Enforcement Administration (DEA).

In May, a joint operation among the GOB, DEA, and the

Australian Federal Police (AFP) led to the seizure in Rangoon of 102 kilograms of ICE (crystal methamphetamine), disrupting a syndicate that had smuggled over 800 kilos of ICE from Burma to markets in China, Malaysia, the Philippines, and the United States.

Through November 2005, according to official statistics, Burma arrested 4,398 suspects on drug related charges.

The government's anti-narcotic task force in Lashio, northern Shan State dismantled two heroin refineries in 2005.

The government eradicated 3,907 hectares of opium poppy in 2005, a 28 percent increase from the previous year, but less than ten percent of the entire poppy crop. Nonetheless, overall eradication accounts for over half of the reduction in area under poppy cultivation since 2001.

Corruption: Burma signed the 2003 UN Convention Against Corruption on December 2, 2005, with one reservation. At year's end, a government panel was reviewing domestic legislation and will recommend whether existing legislation can be amended to meet the Convention's obligations, or if new legislation is required.

Burma has consistently performed poorly in studies on corruption, ranking third from the bottom among all countries listed on Transparency International's 2005 index, behind only Bangladesh and Chad.

There is no reliable evidence that senior officials in the Burmese Government are directly involved in the drug trade. However, lower level officials, particularly army and police personnel posted in border areas, are widely believed to be involved in facilitating the drug trade; and some officials have been prosecuted for drug abuse and/or narcotics-related corruption. According to the Burmese government, over 200 police officials and 48 Burmese Army personnel were punished for narcotics-related corruption or drug abuse between 1995 and 2003. Of the 200 police officers, 130 were imprisoned, 16 were dismissed from the service, 7 were forced to retire, and 47 were demoted. In 2004, the military junta ousted Prime Minister General Khin Nyunt, accusing him and hundreds of his military intelligence subordinates of corruption, including illegal activities conducted in northern Shan State. Authorities have not, however, charged any of these officials with drug-related offenses and no Burma Army officer over the rank of full colonel has ever been prosecuted for drug offenses.

Government authorities, acting on the results on a joint investigation with DEA and AFP, closed the Myanmar Universal Bank (MUB) in 2005, including 38 branch offices throughout the country, and seized MUB assets of over \$18 million. Police arrested the bank Chairman, Tin Sein, and several of his associates, and charged them for money laundering and drug trafficking offenses. The GOB, also acting on results of DEA and AFP information, revoked operating licenses for the Asia Wealth Bank and Mayflower Bank due to irregularities associated with money laundering.

Agreements and Treaties: Burma is a party to the 1961 UN Single Convention on Narcotic Drugs (and became a member of the 1972 Protocol to the Single Convention in 2003), the 1971 UN Convention on Psychotropic Substances (ratified in 1991 and took effect in 2003), and the 1988 UN Convention Against Narcotic Drugs and Psychotropic Substances. In addition, Burma is also one of six nations (Burma, Cambodia, China, Laos, Thailand, Vietnam) that are parties to UNODC's sub-regional action plan for controlling precursor chemicals and reducing illicit narcotics production and trafficking in the highlands of Southeast Asia.

Over the past several years, the Burmese government has extended its regional counternarcotics cooperation, including the signing in 2001 of Memoranda of Understanding (MOUs) with both China and Thailand; the opening, with UNODC support, of liaison offices on the Chinese and Thai borders over the past four years to facilitate the sharing of intelligence; annual joint operations with China that have destroyed several major drug trafficking rings; and the establishment with Thailand of three joint "narcotics suppression coordination stations." According to the GOB, Thailand has contributed over \$1.6 million to support an opium crop substitution and infrastructure project in southeastern Shan State. While not formally funding alternative development programs, the Chinese government has encouraged investment in many projects in the Wa area, particularly in commercial enterprises such as tea plantations and pig farms and has assisted in marketing those products in China through relaxation of duties and taxes.

In addition to regular cooperation with DEA and AFP on narcotics investigations, the GOB increased law enforcement cooperation with Thai and Chinese authorities, particularly through renditions, deportations, and extraditions of wanted

drug traffickers. Among several important cases, Burmese authorities in January arrested trafficker Ma Shun-su, one of China's five most-wanted drug kingpins, and rendered him to China in connection with the seizure of 21 kilos of heroin. Also in January, Burmese authorities took custody of Ko Naing Lin, whom Thailand had deported in connection with a 2004 seizure in Burma of 581 kilos of heroin. In March, Burma took custody of two individuals from China who had been deported in connection with the same 2004 heroin seizure.

In July, Burma and Thailand signed an MOU to address financial proceeds from transnational organized crime. In October, Burma and India, during a joint meeting of senior Home Ministry officials, agreed to increase cooperation against drug trafficking.

Cultivation and Production: According to the annual U.S. opium yield estimate, in 2005 the total land area under poppy cultivation was 40,000 hectares, an 11 percent increase from the previous year. Estimated opium production in Burma totaled approximately 380 metric tons in 2005, a 14 percent increase from 2004.

A UNODC opium yield survey concluded that cultivation in 2005 had declined 26 percent from the previous year, and by over 70 percent since 1996. UNODC also determined that production had declined 16 percent, from 370 metric tons in 2004 to 312 metric tons in 2005.

Despite a variance in 2005 results, both the U.S. estimate and the UNODC survey estimated a yield average of 9.2 kilograms/hectare, well below the peak level of 15.6 kg/ha recorded in 1996. Both surveys also concluded that Burma had experienced a significant downward trend over the past decade, with poppy cultivation and opium production declining by roughly 80 percent.

Drug Flow/Transit: Most ATS and heroin in Burma is produced in small, mobile labs located in the Burma/China and Burma/Thailand border areas, primarily in territories controlled by active or former insurgent groups. A growing amount of methamphetamine is reportedly produced in labs co-located with heroin refineries in areas controlled by the United Wa State Army (UWSA), the ethnic Chinese Kokang, and the Shan State Army-South (SSA-S). Ethnic Chinese criminal gangs dominate the drug syndicates operating in these areas.

Heroin and methamphetamine produced by these groups are trafficked overland (or via the Mekong River) primarily through China, Thailand, India, and, to a lesser extent, Laos, Bangladesh, and Burma itself. Heroin seizures in 2004 and 2005, and subsequent investigations, revealed the increased use by international syndicates of the Rangoon international airport and port for trafficking of drugs to the global narcotics market.

Demand Reduction: The overall level of drug abuse is low in Burma compared with neighboring countries, in part because many Burmese are too poor to afford a drug habit. Traditionally, some farmers use opium as a painkiller and an anti-depressant because they lack access to adequate health facilities. There has been a growing shift away from opium smoking toward injecting heroin, a habit that is more addictive and that poses greater public health risks. Deteriorating economic conditions will likely stifle substantial growth in overall drug consumption, but the trend toward injecting narcotics is a significant concern.

The government maintains that there are only about 70,000 registered addicts in Burma, but surveys conducted by UNODC, among others, suggest that the addict population could be as high as 300,000. NGOs and community leaders report increasing use of heroin and synthetic drugs, particularly among disaffected youth in urban areas and workers in ethnic minority mining communities. The UNODC estimated that in 2003 there were at least 15,000 regular ATS users in Burma and a joint UNODC/UNAIDS/WHO study estimated that there are between 30,000 and 130,000 injecting drug users. There is also a growing HIV/AIDS epidemic, linked in part to intravenous drug use. According to a UNODC regional center, an estimated 26 to 30 percent of officially reported HIV cases are attributed to intravenous drug use, one of the highest rates in the world. Infection rates are highest in Burma's ethnic regions, and specifically among mining communities in those areas, where opium, heroin, and ATS are readily available.

Burmese demand reduction programs are in part coercive and in part voluntary. Addicts are required to register with the GOB and can be prosecuted if they fail to register and accept treatment. Altogether, more than 21,000 addicts were prosecuted for failing to register between 1994 and 2002. The GOB has not provided data since 2002. Demand reduction programs and facilities are strictly limited, however. There are six major drug treatment centers under the Ministry of Health, 49 other smaller detox centers, and eight

rehabilitation centers which, together, have reportedly provided treatment to about 55,000 addicts over the past decade.

As a pilot model, in 2003 UNODC established community-based treatment in Northern Shan State as an alternative to official treatment centers. About 1,600 addicts have participated in this treatment over the past three years. Since 2004, an additional 6,900 addicts have sought medical treatment and support from UNODC-sponsored drop-in centers and outreach workers active throughout northeastern Shan State.

There are also a variety of narcotics awareness programs conducted through the public school system. In addition, the government has established demand reduction programs in cooperation with NGOs. These include programs with CARE Myanmar, World Concern, and Population Services International (PSI), all of which focus on injecting drug use as a factor in the spread of HIV/AIDS.

IV. U.S. Policy Initiatives and Programs

Policy and Programs: The USG suspended direct counternarcotics assistance to Burma in 1988 after the Burmese military junta seized power and violently suppressed pro-democracy activists, continuing repression of the pro-democracy movement begun under former dictator Ne Win. The USG now engages the Burmese government in regard to narcotics control only on a very limited level. DEA, through the U.S. Embassy in Rangoon, shares drug-related intelligence with the GOB and conducts joint drug-enforcement investigations with Burmese counternarcotics authorities. In 2005, these joint investigations led to significant seizures, arrests, and convictions of drug traffickers and producers.

The U.S. also conducted opium yield surveys in the mountainous regions of Shan State in 1993 and 1995 and annually from 1997 through 2004 with assistance provided by Burmese counterparts. These surveys gave both governments an accurate understanding of the scope, magnitude, and changing geographic distribution of Burma's opium crop.

In 2005, the GOB regrettably did not provide sufficient cooperation for a joint opium yield survey. The United States, therefore, conducted a unilateral yield estimate, primarily on the basis of comprehensive satellite imagery. The United States also supported an annual crop survey carried out by the UNODC that, using a different methodology to determine yields, corroborates U.S. conclusions that poppy cultivation and opium production in Burma have been declining for nearly a decade.

The United States supported the UNODC's Wa project for several years as the largest international donor, contributing a total over \$8 million. In January, following the unsealing of indictments against seven UWSA leaders, the United States reallocated unspent funds from the Wa project to UNODC projects outside of Wa territory.

Bilateral counternarcotics projects are limited to a small, U.S.-financed crop substitution project in northern Shan State (Project Old Soldier). No U.S. counternarcotics funding directly benefits or passes through the GOB.

The Road Ahead: The Burmese government has in recent years made significant gains in reducing opium poppy cultivation and opium production and cooperated with UNODC and major regional allies (particularly China and Thailand) in this fight. Although large-scale and long-term international aid--including development assistance and law-enforcement aid--is necessary to help curb drug production and trafficking in Burma, the military regime's ongoing political repression has limited international support of all kinds, including support for Burma's law enforcement efforts.

Furthermore, a true opium replacement strategy must undertake an extensive range of counternarcotics actions, including crop eradication, effective law enforcement, alternative development, and support for former poppy farmers to ensure sustainability. The Government of Burma must foster cooperation between itself and the ethnic groups involved in drug production and trafficking, especially the Wa, and enforce counternarcotics laws to eliminate poppy cultivation and opium production.

The USG believes that the Government of Burma must eliminate poppy cultivation and opium production; prosecute drug-related corruption, especially corrupt government and military officials who facilitate or condone drug trafficking and money laundering; take action against high-level drug traffickers and their organizations; enforce its money-laundering legislation; and expand demand-reduction, prevention, and drug-treatment programs to reduce drug use and control the spread of HIV/AIDS. The GOB must also address the explosion of ATS that has flooded the region by gaining

support and cooperation from the ethnic groups, especially the Wa, who facilitate the manufacture and distribution of ATS, primarily by ethnic Chinese drug gangs. The GOB must also close production labs and prevent the illicit import of precursor chemicals needed to produce synthetic drugs. The USG also urges the GOB to stem the troubling growth of a domestic market for the consumption of ATS.

[IV. Burma Statistics \(1999-2005\)](#)

Statistical table e-mailed separately to INL and EAP.

VI. Chemical control

Burma does not have a significant chemical industry and does not produce ephedrine, acetic anhydride, or any of the other chemicals required for ATS or heroin production.

In 1998, Burma established a Precursor Chemical Control Committee, responsible for monitoring, supervising, and coordinating the sale, use, production, and transportation of imported chemicals. In 2002 the Committee identified 25 chemical substances as precursor chemicals, including two (caffeine and thionyl chloride) not prescribed by the 1988 UN Drug Convention, and prohibited their import, sale, or use in Burma.

In 2003, Burma held its first trilateral conference with India and China on precursor chemicals and in 2004 expanded to include Laos and Thailand. As a result, India and China have taken steps to divert precursor chemicals away from Burma's border areas and India has added ephedrine to a 100-mile wide exclusion zone for acetic anhydride along its border with Burma.

During the first 11 months of 2005, seizures of precursor chemicals remained on par with seizures in 2004. Authorities seized 112 kilos of ephedrine and 14,143 liters of other precursor chemicals.

VILLAROSA